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IMPACT OF COVID-19 ON UKRAINIAN MANUFACTURING COMPANIES AND ASSISTANCE REQUIRED FOR BUSINESS RECOVERY

*Report on survey delivered by
Resource Efficient and Cleaner Production Centre*



JUNE, 2020



RESOURCE EFFICIENT AND
CLEANER PRODUCTION
CENTRE

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Introduction

In the period from 20 April until 08 May 2020, the Resource Efficient and Cleaner Production Centre (RECPC) carried out a special survey in the industrial sector aiming to search for answers to how COVID-19 had affected manufacturing enterprises and what new needs and challenges it had triggered. This survey has been conducted within the framework of the UNIDO project “Promoting the Adaptation and Adoption of Resource Efficient and Cleaner Production through the Establishment and Operation of a Cleaner Production Centre in Ukraine” with the support of Switzerland and Austria.

The purpose of this survey was to better understand how COVID-19 had affected the national companies and what kind of support companies required to restore operations and improve economic and environmental performance. For this reason, the survey implied gathering information about the following:

- company profiles;
- impact of COVID-19 on companies' performance;
- contribution of Ukrainian manufacturing enterprises to counteract COVID-19;
- assistance required for business recovery;
- way forward.

Total of 82 manufacturing enterprises from more than 8 industry sectors participated in the survey. Although such a number of respondents is not able to represent the whole picture dominating now at all Ukrainian companies, however, this is sufficient to make some analysis and elaborate the way forward.

The Resource Efficient and Cleaner Production Centre would like to express its sincere gratitude to those enterprises that participated in the survey, as well as to associations and projects that assisted in getting those companies involved.

Methodology

In order to invite manufacturing companies to the survey, the RECPC used social networks, webpages, mailing from associations and direct contacts. It should be mentioned that the geographical distribution of companies was not taken into account.

Enterprises joined the online 16-questions survey in the period from 20 April until 08 May 2020. Of all the respondents, 57% presented the company management, 30% engineering staff, and administrative personnel made up the rest.

Large companies made up 29 (35%) of respondents (more than 250 employees), medium 27 (33%) (50-250 employees) and small 26 (32%) (up to 50 employees), with a total of 82 companies.

The survey participants presented the following industry sectors: machine building and metal processing (28%), construction materials production (13%), chemicals (11%), light (11%) and food industries (10%) etc.

When processing the results, the overall answers were accounted as well as their distribution depending on the size of companies (large, medium and small).

Highlights

- In total, 41% of companies stated no significant changes in operation caused by COVID-19 (including national restrictions). They only introduced additional safety measures. The rest had to reduce (37%) or stop (21%) production. Small companies were more affected by COVID-19, thus over one third of surveyed small businesses had stopped their activities.
- Only one surveyed enterprise increased production, thus winning some benefit from the COVID-19 impact.
- Among the challenges that companies faced during COVID-19 outbreak, there were some frequently mentioned ones, namely transportation of employees to production site (67% of respondents), product sales (59%), and expenditures for personal protection equipment (59%). Sales of products became the biggest challenge for small businesses (77%).
- 37% of companies kept normal working hours for their employees. In 24% of companies, workers took either a vacation or a downtime. Apparently, the share of companies that kept normal working hours depends on the company size and is getting down from 52% for large companies to 19% for small ones.
- The majority of Ukrainian enterprises (80%) did not launch the manufacturing of by-products to counteract the COVID-19 challenge. The share of companies that picked up this idea made up 24% for large companies and dropped down to 15% for small ones.
- 71% of those companies that did not start manufacturing additional products have not even thought about their production. The share of such companies goes up from 60% for small to 86% for large ones.
- Two thirds of Ukrainian manufacturing enterprises did not provide any contribution to counteract COVID-19. The share of companies that provided support to counteract COVID-19 decreased from 48% for large companies to 19% for small ones.
- Larger companies preferred to provide financial aid (45% for large companies and 8% for small ones), while smaller enterprises were in favour of non-financial aid (from 11% for small companies to 3% for large ones).
- Among national enterprises, 44% of companies were aware of government support programmes, but only 12% actually benefitted from them. At the same time, small companies are less informed (27%) and none of the surveyed small companies used such support programmes.
- Only 20% of companies are aware of COVID-19-related non-government support programmes (projects, grants, funds etc.) and just 4% benefit from them. 27% of enterprises did not even think about looking for non-government support programmes.
- While general awareness of non-government support programmes does not depend on the size of company and fluctuates between 19-21%, the larger companies used such programmes more actively (from none case for small enterprises and to 7% for large ones).

- Less than 50% of the national enterprises will face troubles with restoring business and going back to normal operation. While answers from small and medium-sized companies matched, the share of large companies that indicated on the recovery challenges was twice less (28% vs. 54-55% for small and medium-sized companies).

- Among those support types that businesses would like to get for recovery process, the tax relaxation was the first (63% of respondents) followed by consultancy on markets and organizing production (59%). Only 19% of respondents showed interest towards new technologies transfer.

- Smaller companies preferred the consulting in marketing and organization of manufacturing (the share of such answers decreased from 67% for small companies to 53% for large ones) and financial support (from 48% for small companies to 32% for large ones). Fiscal support was the priority issue (89% of respondents) for large companies while they were less interested in consultancy on technology transfer (5%).

- 59% of respondents regularly improve resource (energy, materials, and water) efficiency of their productions. For large companies this indicator reached 72%.

- 7% of respondents will not be able to focus on resource efficiency at least till 2020 year-end. Moreover, the share of those was going up from 4% for large companies to 11% for small ones.

- Almost half of the respondents chose consultancy in funds raising for options implementation, searching for technology/equipment suppliers, external assessments, and staff training as the relevant assistance to boost resource efficiency in production. Guidelines and manuals were in less demand (24%).

- Staff training was a priority for larger enterprises, the share of those showing interest made up 17% for small enterprises and rose up to 61% for large ones.

- Large companies were the most interested (57%) in outside expertise for production assessment and identification of resource efficient options. Small companies ranked the second place (39%).

- Medium-sized enterprises leaned towards consultancy in raising funds for options implementation and searching for technology/equipment suppliers (56% per each item).

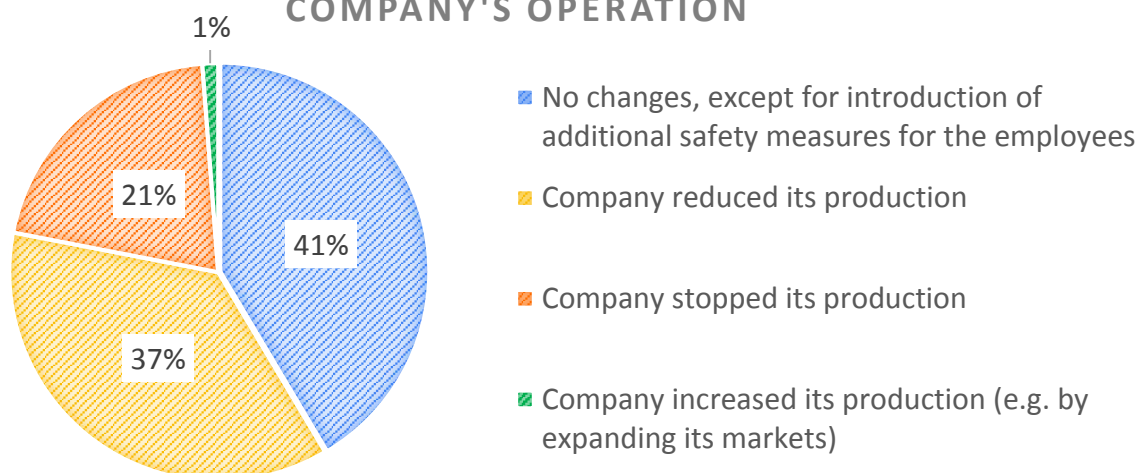
Outcomes

Impact of COVID-19 outbreak on companies operation

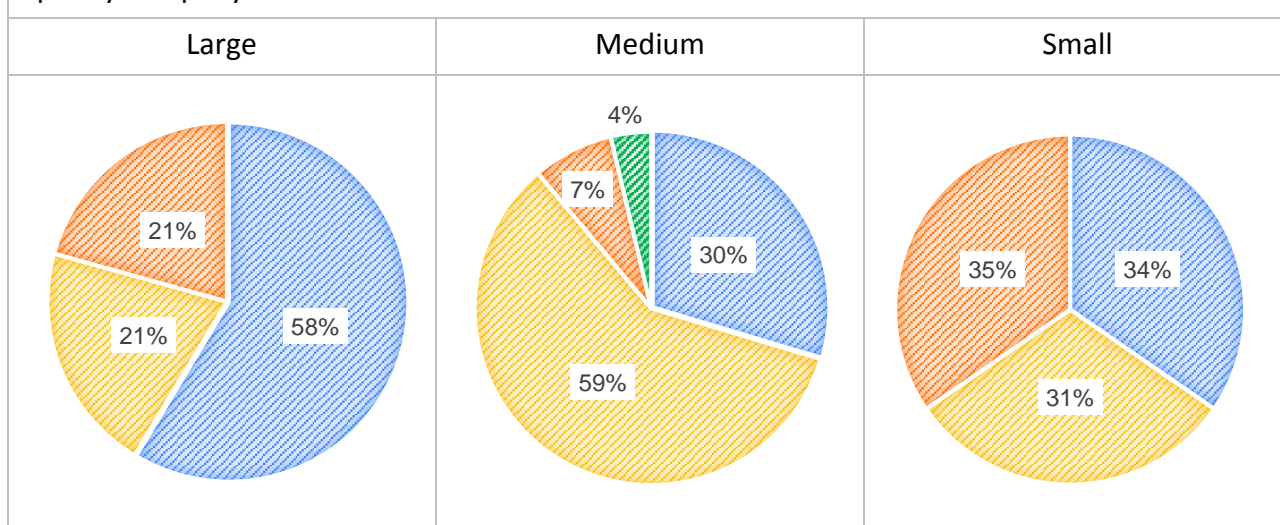
Total 41% of companies reported no significant changes in operation caused by COVID-19 (including national restrictions). Their work during the outbreak remained almost unchanged except for introduction of additional safety measures. Large enterprises felt more confident (58% vs. 30-34%) mainly due to wider capabilities and their higher resilience. The most part of medium-sized enterprises (59%) reduced their production. Such flexibility brought medium companies the lowest share of shutdowns (7%). At the same time, 35% of small enterprises stopped their production and made up the largest share among all other companies. Thus, it can be concluded that COVID-19 have had stronger negative impact on smaller enterprises.

Only one enterprise increased production, thus winning benefit from the COVID-19 impact.

IMPACT OF COVID-19 OUTBREAK ON COMPANY'S OPERATION



Split by company size



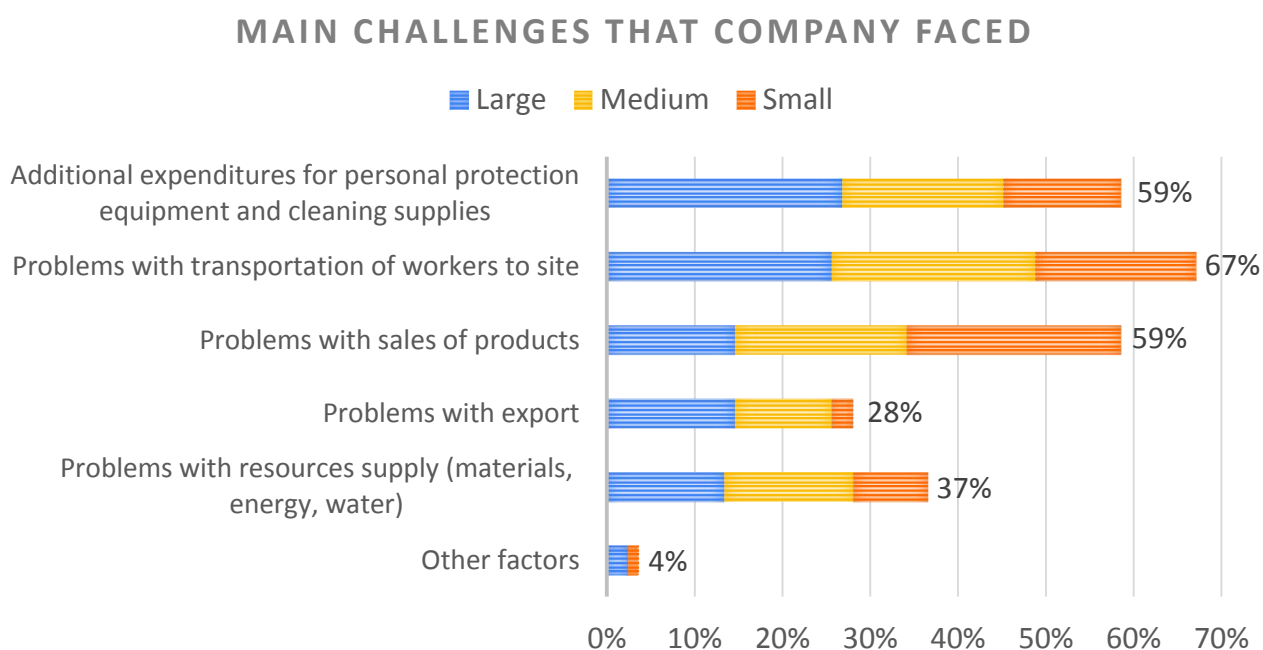
Main challenges that companies faced during COVID-19 outbreak

Transportation of workers to the production site (67%), product sales (59%) and expenditures for personal protection equipment (59%) were the main challenges that companies faced during COVID-19 outbreak. The dependency trend was that for larger companies the impact of expenditures for personal protection equipment was the bigger. Thus, the share of companies, which recognized additional expenditure for protection means as a negative factor, increased from 42% for small enterprises to 76% for large ones. This happened due to larger number of workers, and therefore more tangible expenditures. It should not be omitted that most probably large companies ensure more thorough control to meet the safety rules.

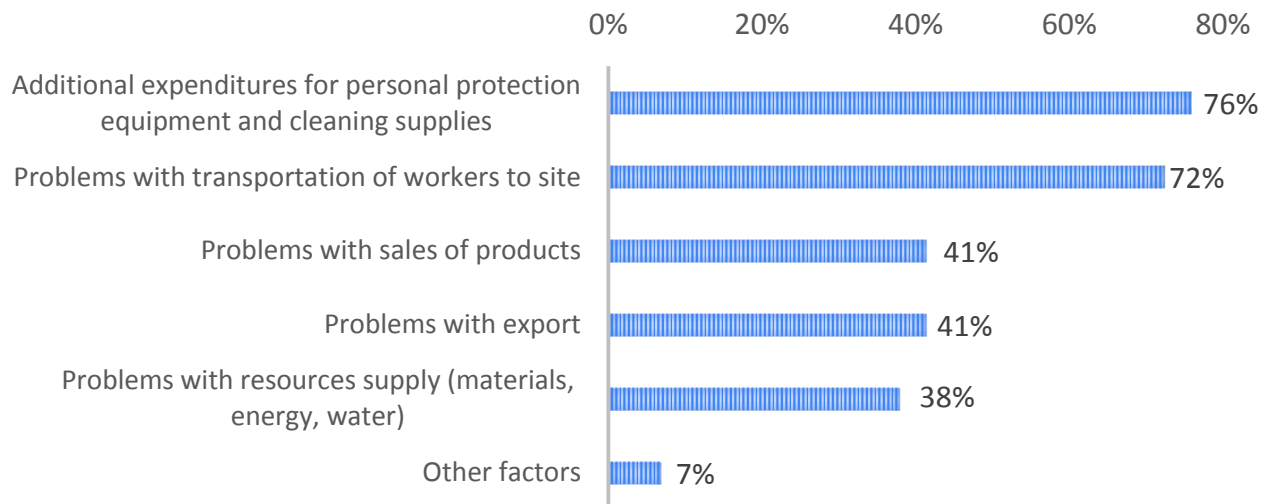
Medium and large enterprises complained about challenges with transportation of workers to sites (70-72%). However, this indicator could be significantly affected by a company's geographical location (there was some difference in public transportation restrictions in various regions of Ukraine).

Smaller companies had the most troubles with sales of products, namely 77% of small enterprises, 59% of medium-sized and 41% of large ones. Exporting issues were less common (28%) and typical rather for larger companies. Thus, the companies complaining about poor export made up 41% of large businesses vs. 8% of small ones. It should be noted that the questions on sales and export could intersect, as they were open to all respondents. At the same time, it can be assumed that small enterprises were less export-oriented and more vulnerable due to undiversified markets.

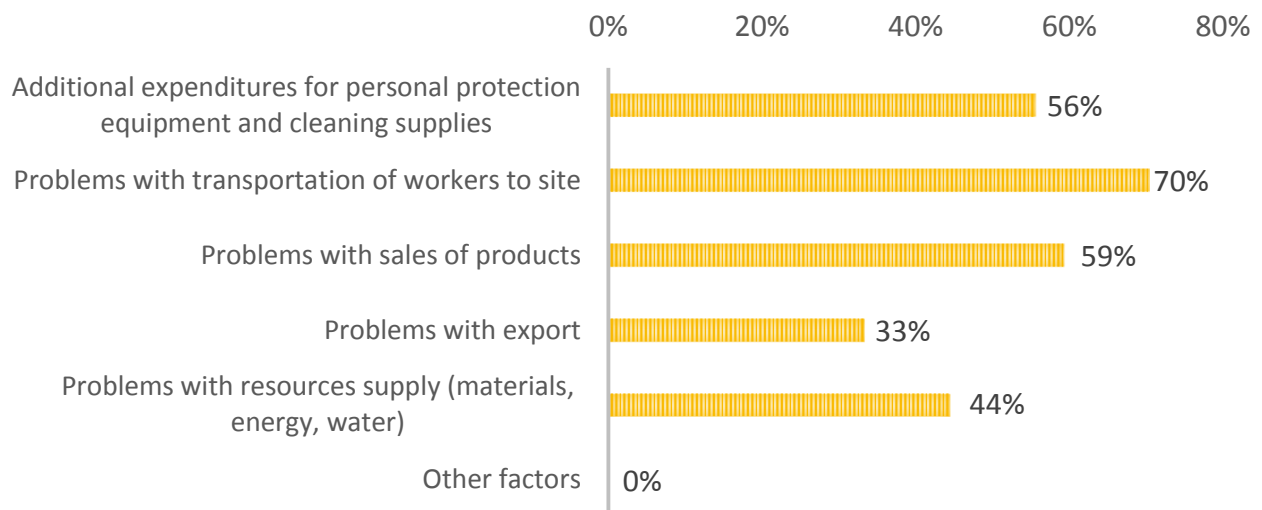
37% of the surveyed cases revealed problems with resource supply, which was most likely due to national companies mainly standing at the beginning of international value chains with the processing of domestic raw materials.



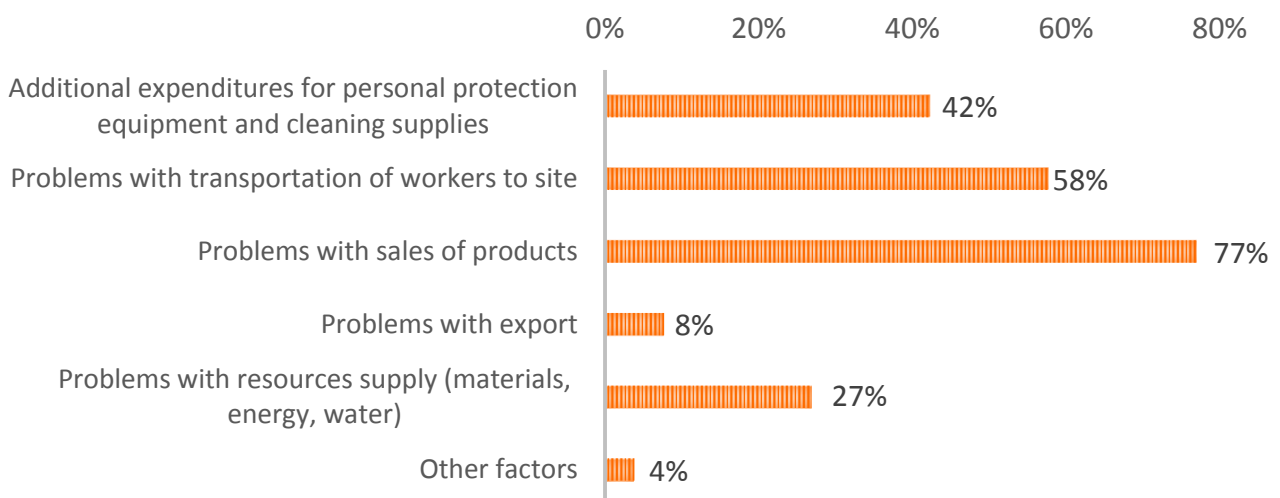
Large enterprises



Medium enterprises



Small enterprises

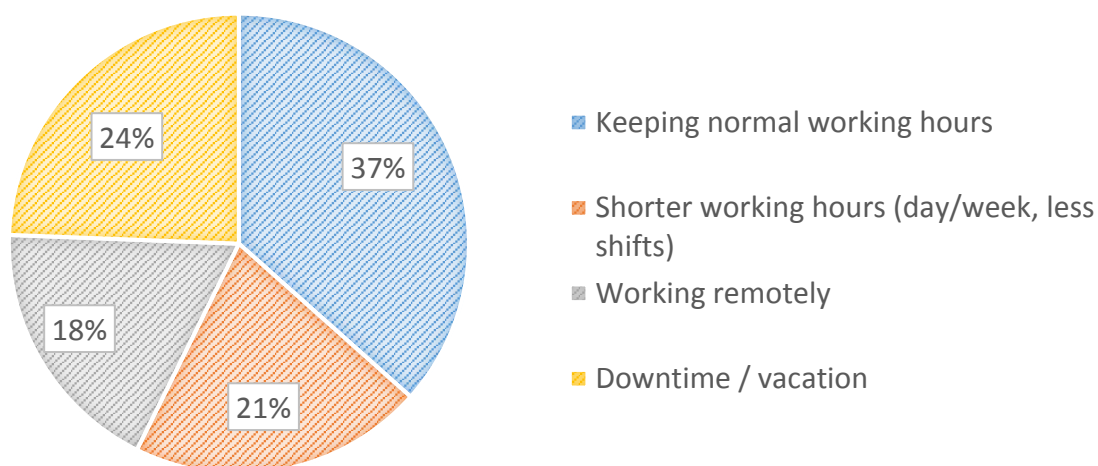


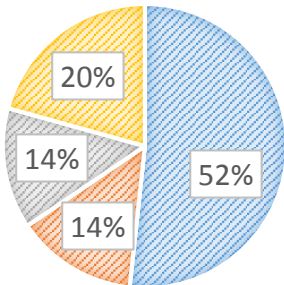
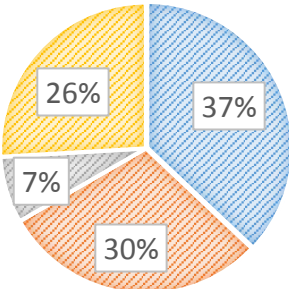
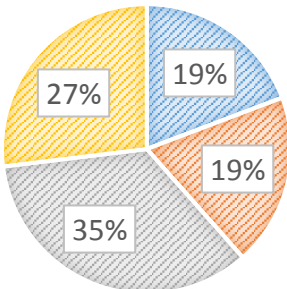
Working hours of employees

37% of enterprises kept normal working hours for their employees, which was in line with the statement that 41% of respondents had no critical changes because of COVID-19 outbreak. In 24% of companies staff members took a vacation or a downtime, which was also in line with those 21% of respondents who stopped their operation.

The larger the company was, the better chances it had to maintain the conventional working schedule. For instance, the share of enterprises with normal working hours made up 52% for large companies and dropped down to 19% for small ones. Those companies being not large enough had to be flexible, thus medium businesses reduced working hours (almost 30% of respondents), while small ones started to work remotely (almost 35% of respondents).

WORKING HOURS OF EMPLOYEES



Split by company size																																
Large	Medium	Small																														
 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Blue</td><td>52%</td></tr><tr><td>Yellow</td><td>20%</td></tr><tr><td>Grey</td><td>14%</td></tr><tr><td>Orange</td><td>14%</td></tr></tbody></table>	Category	Percentage	Blue	52%	Yellow	20%	Grey	14%	Orange	14%	 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Blue</td><td>37%</td></tr><tr><td>Yellow</td><td>26%</td></tr><tr><td>Orange</td><td>30%</td></tr><tr><td>Grey</td><td>7%</td></tr></tbody></table>	Category	Percentage	Blue	37%	Yellow	26%	Orange	30%	Grey	7%	 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Blue</td><td>19%</td></tr><tr><td>Yellow</td><td>27%</td></tr><tr><td>Grey</td><td>35%</td></tr><tr><td>Orange</td><td>19%</td></tr></tbody></table>	Category	Percentage	Blue	19%	Yellow	27%	Grey	35%	Orange	19%
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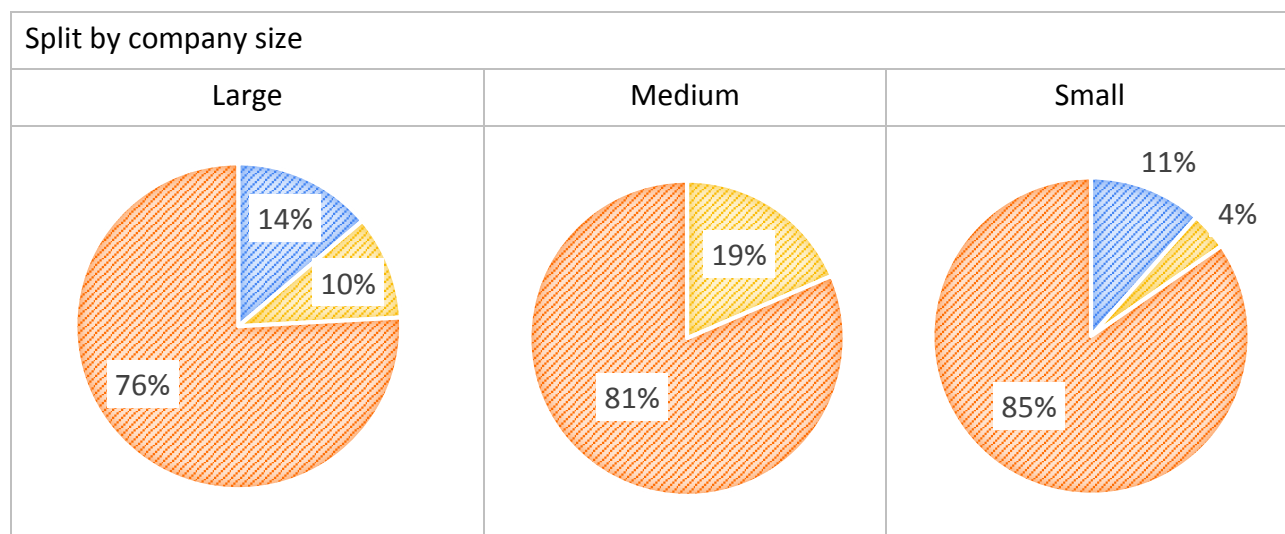
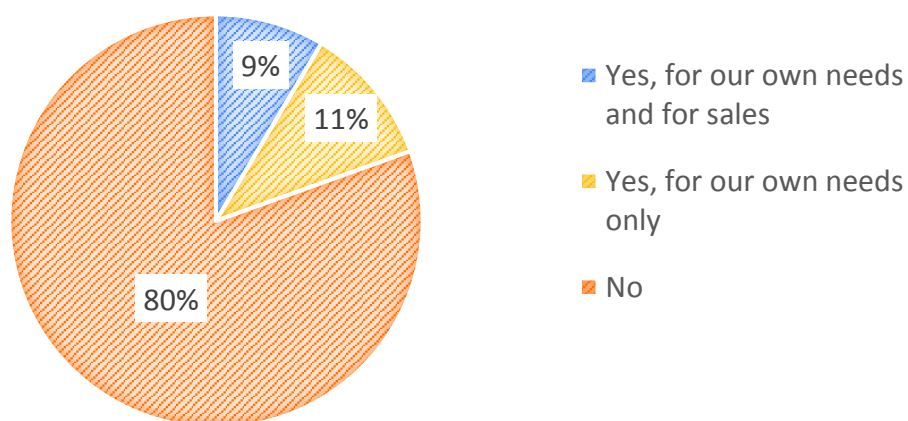
Manufacturing additional products to counteract COVID-19

The majority of Ukrainian enterprises (80%) did not launch manufacturing of additional products to counteract COVID-19 challenges (e.g. protective masks, gloves, antiseptics, ventilation devices). Only 9% of companies produced such products not just for their own needs, but for sales as well.

Larger companies demonstrated better dexterity. Thus, the share of companies that produced COVID-19 by-products made up 24% for large companies and dropped down to 15% for small ones. This can be explained by bigger resources of larger enterprises.

Apart from that, large enterprises have appeared to be more oriented (14%) on selling such products.

DID COMPANY PRODUCE COVID-19 PROTECTION EQUIPMENT (ANTISEPTICS, PROTECTIVE MASKS, GLOVES, ETC.)?

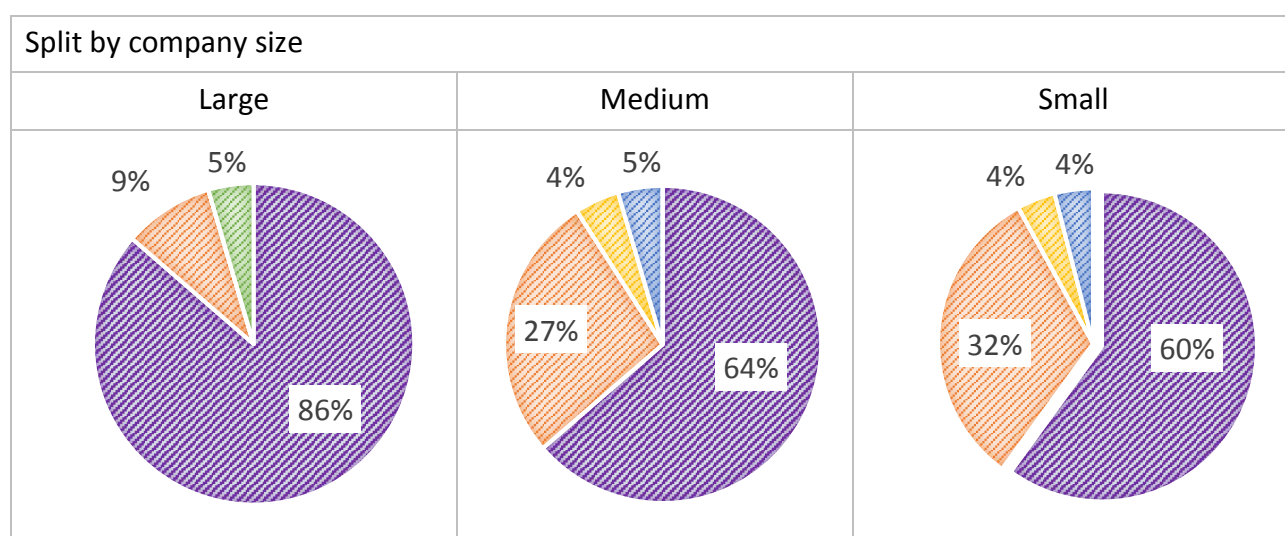
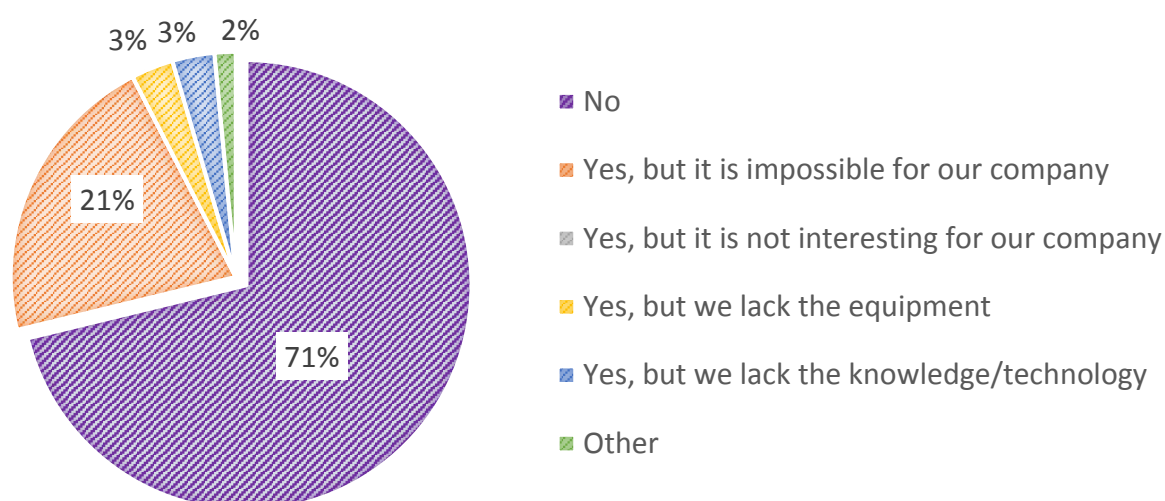


Some companies responded that they were incapable to produce additional products. An additional question was proposed to them to clarify reasons.

Thus, 71% of such enterprises did not even think about manufacturing of additional products. 21% concluded that it was impossible for their facilities. Less than 3% complained about lack of equipment, technologies or something else.

All that gives evidence that national companies are being a bit sluggish and this is inherent to large companies mainly. For example, the share of those enterprises that did not think about additional products made up 60% for small companies and increased to 86% for large ones. The reason for this was a larger distance between initiative employees and decision makers. On the other hand, large companies felt more stable in the COVID-19 crisis (see previous sections), so they had less motivation to implement changes.

DID COMPANY CONSIDER PRODUCING COVID-19 PROTECTION EQUIPMENT?

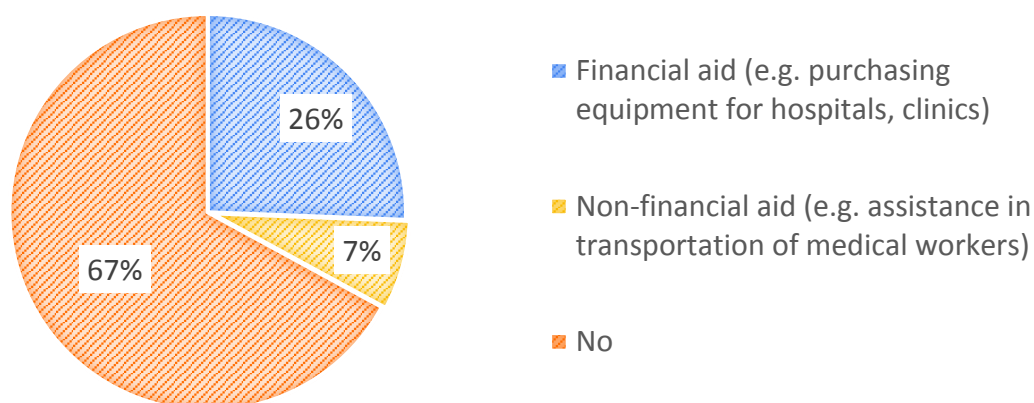


Companies contribution to counteract COVID-19 outbreak

Two thirds of Ukrainian manufacturing enterprises did not make efforts to counteract the COVID-19 crisis. Larger enterprises got involved more actively primarily due to wider capacities. Thus, the share of companies that provided support to counteract COVID-19 decreased from 48% for large companies to 19% for small ones.

The type of provided support depended on the company size. Larger companies offered mainly financial aid and that was 45% of large companies vs. 8% of small ones. Smaller companies made their best to support with non-financial aid: 11% of small companies vs. only 3% of large ones. In general, most companies that provided support for counteracting COVID-19 preferred the financial aid to non-financial: 26% vs. 7% accordingly.

DID COMPANY CONTRIBUTE TO COVID-19 COUNTERACTING?



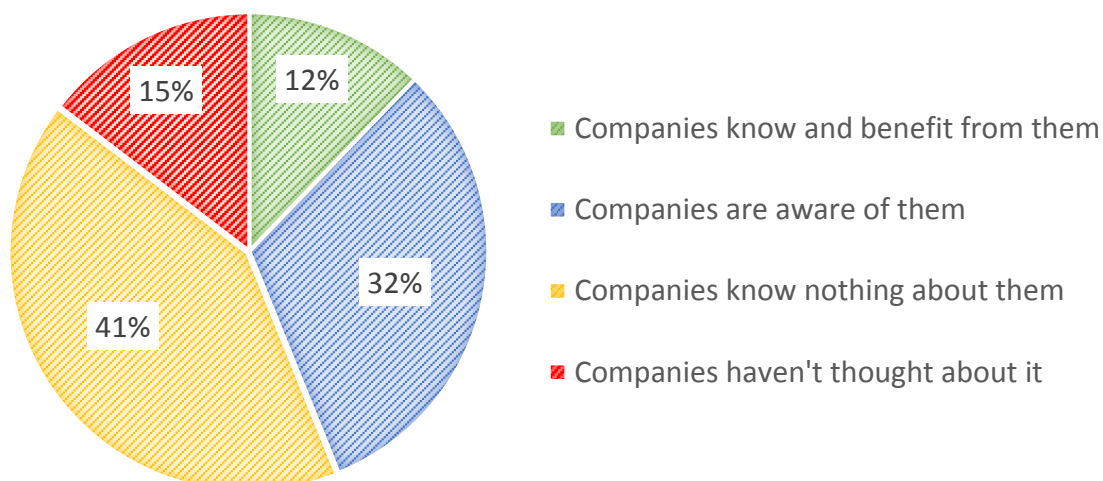
Split by company size		
Large	Medium	Small

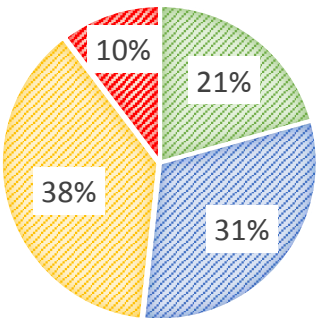
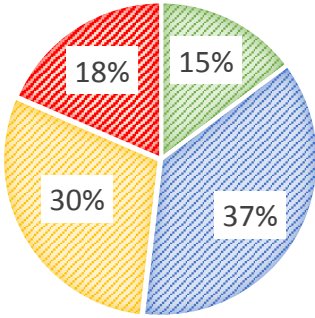
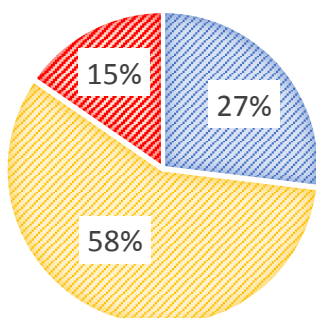
Awareness of companies about government support programmes related to COVID-19

National enterprises were insufficiently aware of government support programmes related to COVID-19. 44% of respondents were familiar with them, while only 12% actually benefited.

The share of small enterprises at least knowing about such programmes was almost twice less (27% vs. 52%) than of medium and large enterprises, accordingly. At the same time, none of the small company surveyed used such support. On the other hand, 15% of medium companies and 21% of large ones participated in government support programmes. Taking into account the high vulnerability of small enterprises, it would be reasonable to aim such programmes to small enterprises and make additional efforts to promote the programmes.

AWARENESS OF COMPANIES ABOUT GOVERNMENT SUPPORT PROGRAMMES RELATED TO COVID-19



Split by company size		
Large	Medium	Small
		

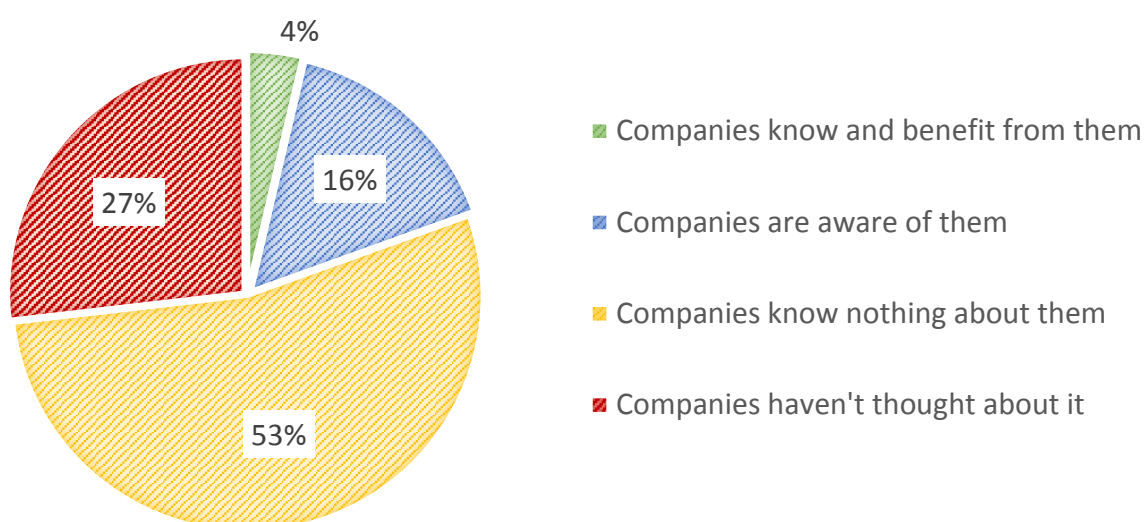
Awareness of companies about non-government support programmes related to COVID-19

The awareness about non-government support programmes (international projects, donors support, etc.) appeared far worse than about government support ones. Only 20% of respondents were aware of them and only 4% actually benefited.

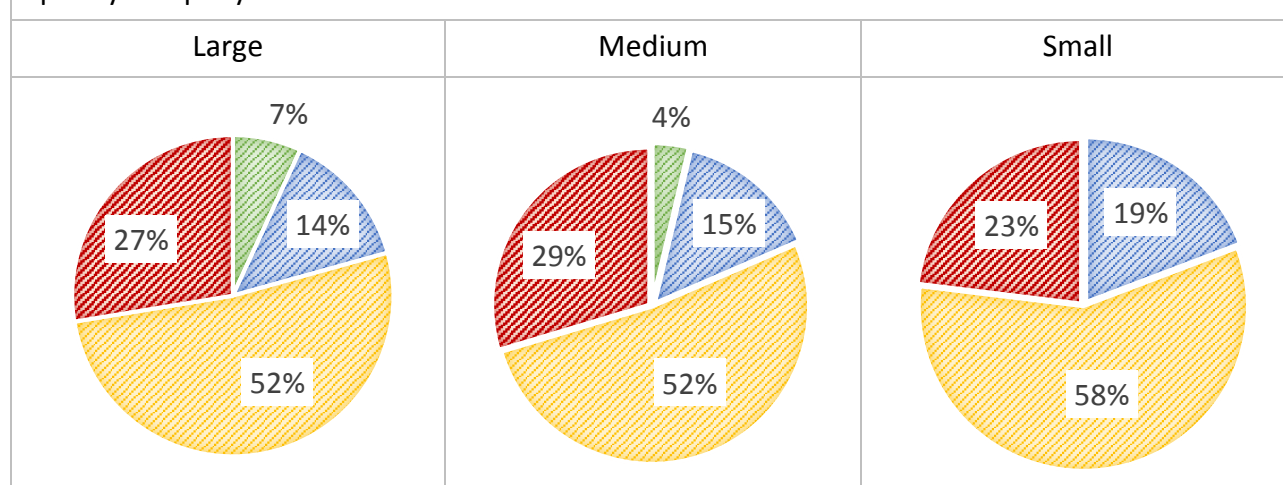
Moreover, general awareness did not depend on the company size and fluctuated between 19-21%, then larger companies benefited from non-government support programmes more often (e.g. 7% for large companies). Small companies ignored both government and non-government support programmes, which means their insufficient capability or lack of such programmes.

Noteworthy is the fact that 27% of respondents did not even think about searching for non-government support programmes.

AWARENESS OF COMPANIES ABOUT NON-GOVERNMENT/DONOR SUPPORT PROGRAMMES RELATED TO COVID-19



Split by company size



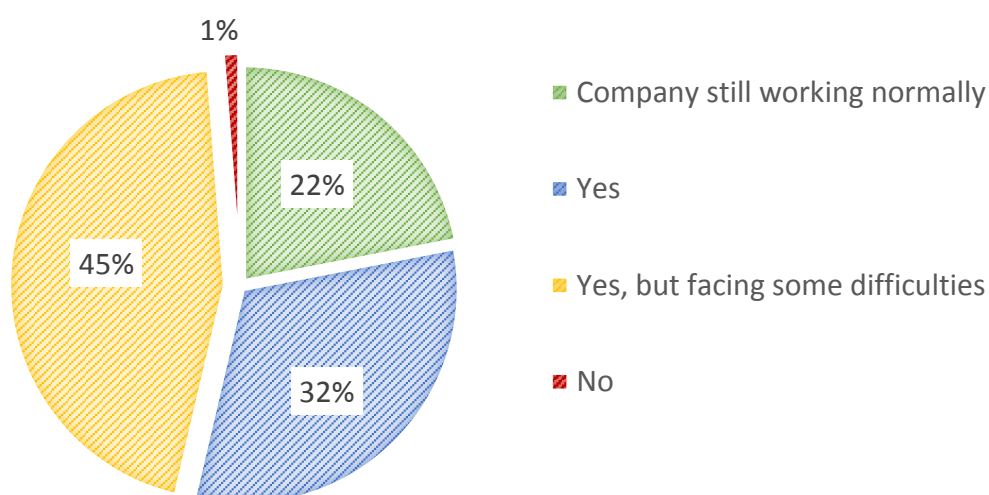
Capability to restore normal operation after COVID-19 outbreak

54% of respondents indicated they either continued working in regular way or will not have difficulties in restoring their normal operation. This was in line with the answers to previous questions.

One surveyed medium-sized company notified of having no chances to restore its business.

Apparently, medium-sized enterprises are a bit more vulnerable in the recovery process, as they lack the resilience that large companies have and the flexibility of small businesses. However, answers from small and medium-sized enterprises almost matched. As for large enterprises, their share claimed difficulties in restoring normal operation was almost twice less (28% vs. 54-55% for small and medium companies).

WILL COMPANY BE ABLE TO RESTORE NORMAL OPERATION?



Split by company size		
Large	Medium	Small

Assistance in business recovery required by companies

Such issues as tax relaxation (63% of respondents), consultancy in marketing and organization of manufacturing (59%) have become the support types that the enterprises would like to get for business recovery. Only 19% demonstrated interest towards new technologies transfer.

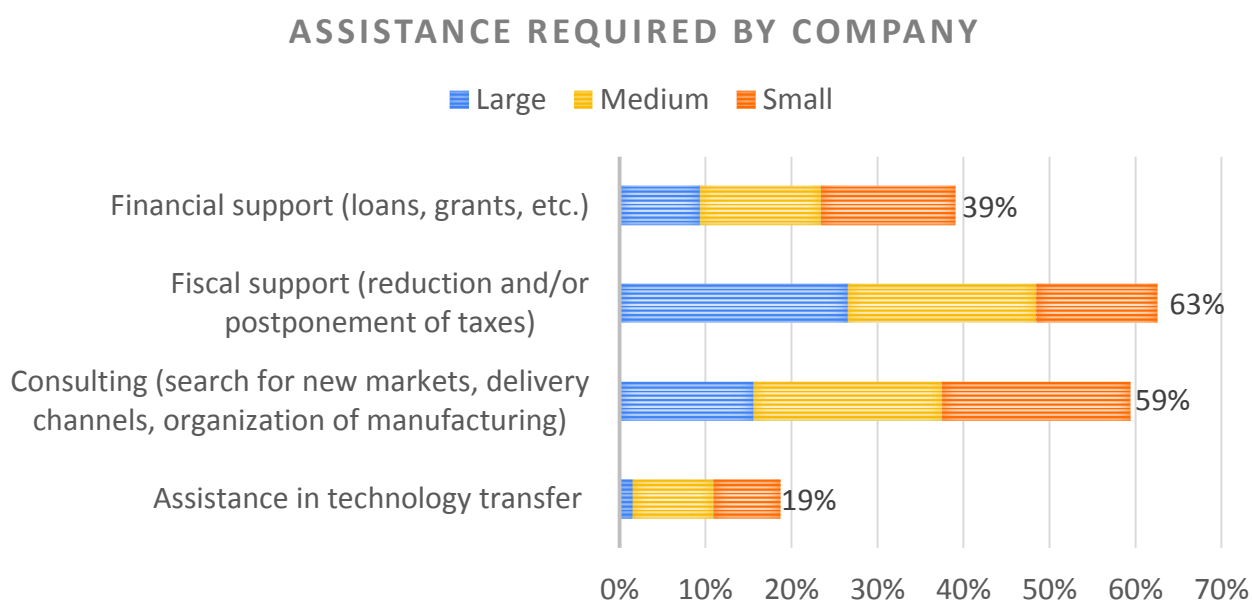
Larger enterprises were more interested in fiscal support and the share of those made up 43% for small companies and increased to 89% for large ones. That was most likely due to cumulative amount of tax payments.

Smaller companies showed greater interest in financial support (including loans, grants etc.): 48% for medium and small enterprises vs. 32% for large ones.

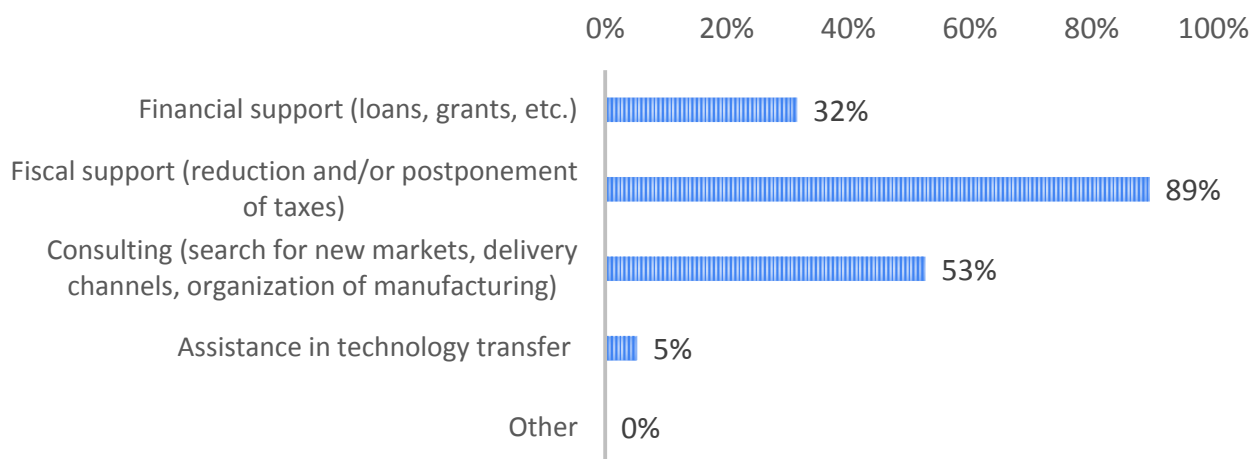
As for consultancy support, it was the most popular among small enterprises (67%), while the least popular among large companies (53%). Apparently, some large enterprises already have relevant departments/units and processes in place.

Small and medium enterprises were more interested to get consulting in technology transfer (one quarter of total respondents). Large companies showed less interest in this issue (5%) because of available relevant departments as mentioned above.

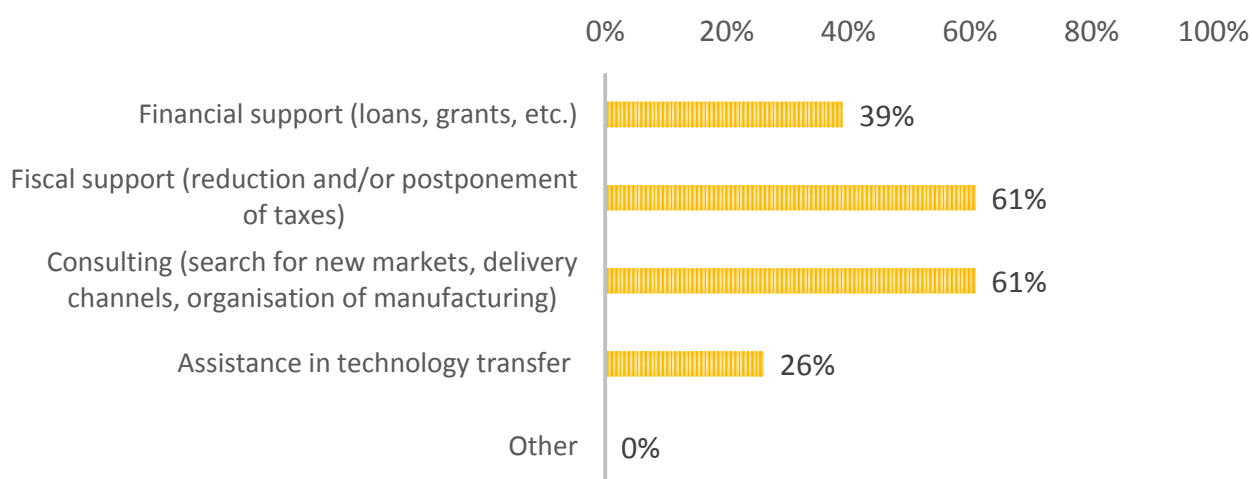
Overall, it can be concluded that smaller companies preferred consulting in marketing, organization of manufacturing and financial support. As for large enterprises, tax relaxation was the priority issue.



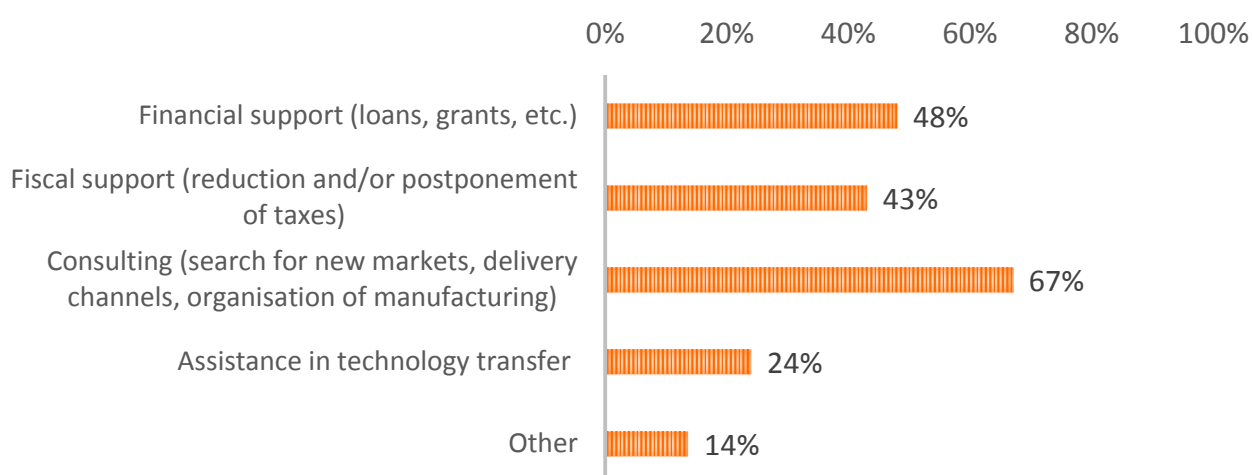
Large enterprises



Medium enterprises



Small enterprises



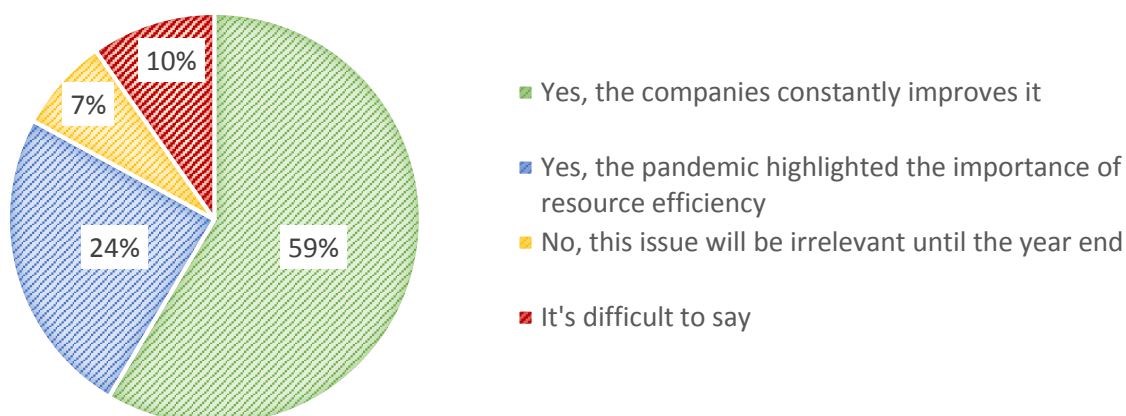
Improving resource efficiency by companies

59% of all surveyed participants are constantly improving resources (energy, materials, water) efficiency in their productions. This indicator was influenced by the presence of large enterprises. For them, the share of companies dedicated to resource efficiency is quite high (72%), due to existing relevant departments in place. It should be noted that two thirds of respondents were the enterprises that cooperated with the Resource Efficient and Cleaner Production Centre.

The COVID-19 pandemic highlighted the importance of resource efficiency for 24% of surveyed companies, while for 7% of respondents this issue will be irrelevant at least until 2020-year end. Moreover, the share of those that will ignore resource efficiency until the end of 2020 is rising up from 4% for large companies to 11% for small ones. This indicates the vulnerability of smaller enterprises.

Large enterprises had less share of companies without clear development plan: 3% of large vs. 12-15% of small and medium enterprises.

IS COMPANY INTERESTED IN IMPROVING ITS RESOURCE EFFICIENCY AFTER COVID-19 OUTBREAK?



Split by company size																																
Large	Medium	Small																														
<table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Green</td><td>72%</td></tr><tr><td>Blue</td><td>21%</td></tr><tr><td>Yellow</td><td>4%</td></tr><tr><td>Red</td><td>3%</td></tr></table>	Category	Percentage	Green	72%	Blue	21%	Yellow	4%	Red	3%	<table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Green</td><td>48%</td></tr><tr><td>Blue</td><td>30%</td></tr><tr><td>Yellow</td><td>7%</td></tr><tr><td>Red</td><td>15%</td></tr></table>	Category	Percentage	Green	48%	Blue	30%	Yellow	7%	Red	15%	<table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Green</td><td>54%</td></tr><tr><td>Blue</td><td>23%</td></tr><tr><td>Yellow</td><td>11%</td></tr><tr><td>Red</td><td>12%</td></tr></table>	Category	Percentage	Green	54%	Blue	23%	Yellow	11%	Red	12%
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Red	12%																															

Support for companies in improving resource efficiency

Almost all proposed types of support were equally requested by respondents. Near half of them chose consultancy in funds raising, search for technology/equipment suppliers, external assessments, and staff training. Guidelines and manuals were in less demand (24%), regardless of the size of enterprise (ranging from 20% to 29%). Either company representatives consider this way of getting familiar with new information useless and outdated, or they simply have no time and capacities for consuming such content.

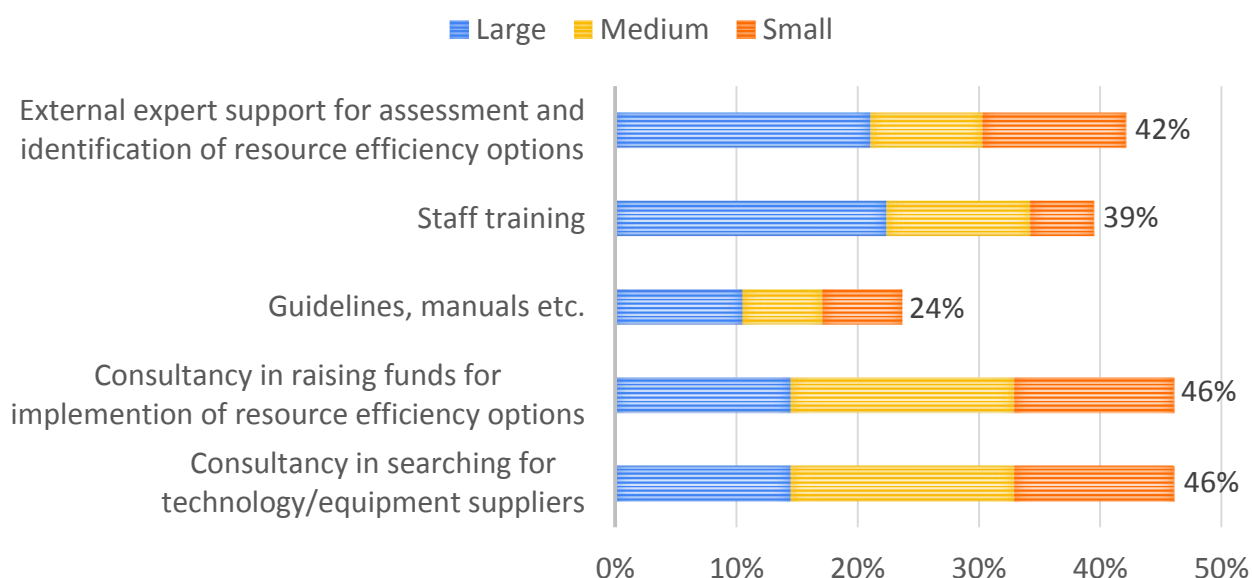
Splitting the enterprises by their size, staff training was a priority for larger companies. Thus, the share of those interested in trainings increased from 17% for small companies to 61% for large ones. Although large companies seem to have already trained personnel to deal with resource efficiency, they were most interested in trainings.

Large companies also showed the greatest interest (57%) towards attracting external experts support for carrying out assessment and identification of resource efficient options. Small enterprises ranked the second place in those topics (39%).

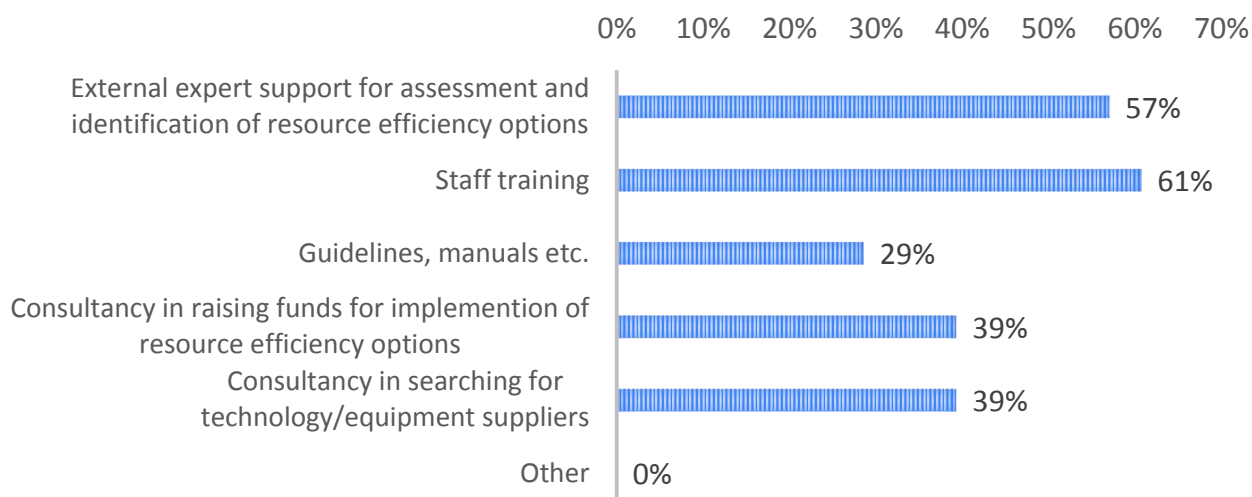
Consultancy in raising funds for options implementation and searching for technology/equipment appeared the most topical for medium-sized enterprises (56% per each item), while the least important for large ones (39%).

In general, the smaller the enterprise was, the less it was interested in getting support in improving resource efficiency.

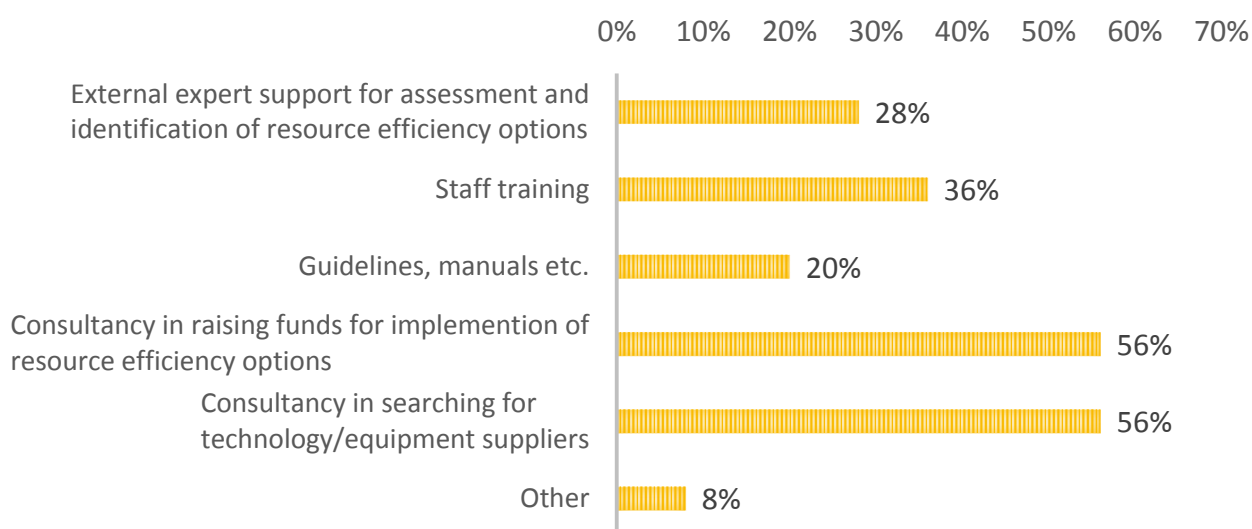
RELEVANT SUPPORT FOR COMPANIES TO IMPROVE RESOURCE EFFICIENCY



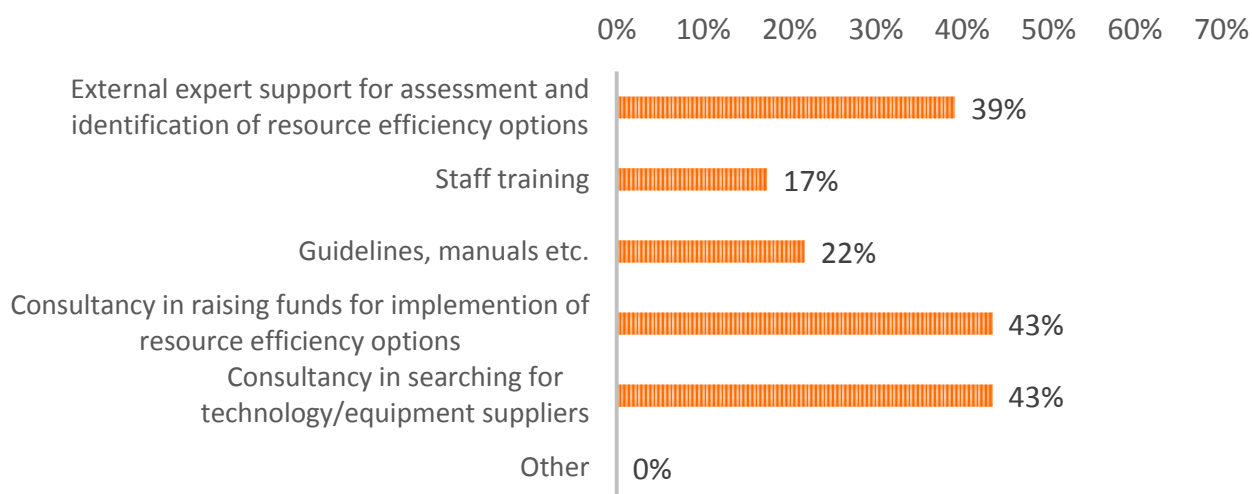
Large enterprises



Medium enterprises



Small enterprises



Today, the Ukrainian industry is in the process of green and innovative transformation. This will allow the whole country to get a better position in the international supply value chains using its potential entirely, including highly skilled people, and to reverse its transition to commodity-dependant. The transformation is, for sure, a challenge for Ukraine, especially given the negative impact of the COVID-19 pandemic requiring the efforts of all stakeholders: industry, government, expert institutions, and international organizations. As a national agency supporting the eco-modernization of the Ukrainian economy through the implementation of resource efficient and cleaner production, the RECPC will continue to help Ukrainian companies in new reality expanding cooperation with partners and adapting its activities to modern challenges.

The COVID-19 pandemic revealed the lack of flexibility of Ukrainian enterprises. Thus, the RECPC will further promote innovation by serving as a platform for dissemination of knowledge on how to respond to the COVID-19 crisis, how to return to normal operation, and by demonstrating success stories of domestic enterprises. The Centre will pay attention to developing creative environment in Ukrainian companies as well as implementing new processes (in production, management, administration) and procedures.

The survey results indicate that large, medium and small enterprises differ in their capabilities, problems, and needs. Therefore, the RECPC will tailor its assistance to enterprises that need to restore their operations and ensure effective development.

Large enterprises mainly have capacities (processes, structures, personnel) to work on development, namely improving resource efficiency, searching for new markets (including foreign ones), technologies, support programmes. It is appropriate to implement targeted and time-limited activities for such enterprises to encourage them to boost these capacities. For example, the RECPC will offer large enterprises short- and medium-term trainings to foster staff competences (in terms of specific resource efficiency topics), as well as assessments of single production sites or facilities.

Small and medium-sized enterprises require more assistance, so the RECPC in its activities will focus on them. The Centre will continue to advise companies in improving resource efficiency and will expand the range of cooperation by offering consultancy on sales, exports, and production organization. Although the RECPC has already assisted enterprises in finding ways to finance the resource efficient measures and searching for equipment suppliers, we will strengthen this component by expanding cooperation with partners (donors, financial institutions).

We should pay attention to the capacity building of small and medium-sized enterprises in green development. The Centre will do its best to broaden this cooperation area by facilitating the establishment of proper processes and procedures at companies and providing the necessary experience for their employees. For sure, short-term assessments by external experts provide tangible results for small and medium-sized enterprises in resource efficiency improvement, but they do not reformat the behaviour of employees completely. Therefore, the long-term cooperation and regular communication (online or in-person) with the discussion of the progress made and further plans are feasible. Clubs, networks, and the like could serve an example in this respect. For specialists at such enterprises, the RECPC will develop and deliver medium- and long-term training courses available online with the possibility to learn at a comfortable pace.

Considering the poor attention towards specific industry manuals and, at the same time, their essential value, the Centre will elaborate alternative ways of such information dissemination, e.g. in the form of easily navigated sets of small reference materials (including videos).

It is worth mentioning that national enterprises lack information about government and especially non-government support programmes, because it nullifies considerable efforts of their providers and blocks down the development opportunities. There are many different online information platforms with aggregated programmes available in Ukraine, but their effectiveness is weak. The RECPC will use its direct contacts with industry to present these opportunities to companies more efficiently and cooperate with government agencies and NGOs to develop special tools that might ensure better information sharing with small and medium-sized enterprises.

Regarding the support to enterprises in business recovery, many of the surveyed enterprises noted the need for tax relaxation (mainly large companies) and financial support (mostly small companies). In contrast to requests for consultancy, these issues should be addressed to the national government. The RECPC will offer support to such policy initiatives by involving its experts and considerable expertise in dealing with industrial enterprises.

Since its establishment in 2013, the RECPC has conducted the assessments of more than 160 manufacturing companies, identified and proposed them about 570 measures to achieve economic savings amounted to EUR 10 million per year with the reduction of 180'000 MWh of energy consumption, 12'000 t of materials consumption and, as well as 41'500 t CO₂-eq. of emission generation. We have trained about 500 experts from resource efficiency all over Ukraine, organized 300 information events, participated in the implementation of 10 international projects. The RECPC will continue to maintain contacts with Ukrainian enterprises to respond quickly to their needs and assist them in green development. We would like to thank survey participants and all enterprises (the Centre's clients) for giving us a chance to gain such a valuable experience. We are inviting partners to cooperate with us in the areas mentioned earlier. Together we will be able to make a significant contribution to the eco-modernization of Ukrainian industry.

Impact of COVID-19 on Ukrainian Manufacturing Companies and Assistance Required for Business Recovery: Report on Survey Delivered by the Resource Efficient and Cleaner Production Centre

This publication has been developed within the framework of the project “Promoting the Adaptation and Adoption of Resource Efficient and Cleaner Production through the Establishment and Operation of a Cleaner Production Centre in Ukraine”, implemented by the United Nations Industrial Development Organization (UNIDO) and the National Resource Efficient and Cleaner Production Centre (RECPC) with the support of Switzerland and Austria.



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